



# **Santa Barbara**

## **Recommendations for Downtown Revitalization**

*Presented July 25, 2019*

**Prepared By:**  
***Kosmont Companies***

# About Kosmont Companies

Kosmont Companies is a nationally-recognized real estate & economics advisory firm specializing in public-private transactions for over 32 years.

- **Offers a full range of economics & real estate advisory services including:**
  - Market and Feasibility Analyses
  - Economic Development Strategies & Implementation
  - Identification of Funding Sources & Financing Strategies
  - Fiscal Impact & Economic Benefit Studies
  - Retailer/Developer & Business Recruitment
  - Public-Private Transaction Structuring & Negotiation
- **Winning track record of initiating and implementing projects for municipalities**
  - In-house team includes registered municipal advisors, financial analysts, lawyers, former bond underwriters, former city managers & department heads
  - Extensive network of brokers, investors and market data for real-time information, and retail industry leadership

**Disclaimer:** Analyses, assumptions, and any examples prepared by Kosmont Companies are for illustrative purposes and are not a guarantee of actual and/or future results.

**Note:** If needed, Financial Advisory and Real Estate Brokerage services can be provided by Kosmont Transactions Services, Inc. (SEC / MSRB Registered Municipal Advisor) and Kosmont Real Estate Services, Inc. (Licensed Real Estate Brokerage Firm), respectively.

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Kosmont was retained by the City of Santa Barbara for real estate advisory services in connection with a market analysis to provide recommendations for the revitalization of the State Street area of Downtown Santa Barbara.

- 1. Project Background / Existing Conditions**
- 2. Retail / Hotel Market Factors & Trends**
- 3. Land Use Planning**
- 4. Regulatory Tools & Policies**
- 5. Economic Development**
- 6. Other Recommendations**

# 1. Project Background / Existing Conditions

## *Existing Conditions*



# Existing Conditions

- Downtown Santa Barbara is a key economic driver for the City and it serves as a commercial center and destination for cultural arts and entertainment
- Santa Barbara has flourished for many decades, enhanced by the winery/tourism industries
- Downtown is facing significant vacancies as a result of macro changes in the retail industry, competition for retail sales, and a complex permitting process
- The City's goal is to increase vibrancy and reduce vacancies along State Street
- To achieve this goal, Kosmont's approach will be to not only analyze and strategize, but be able to assist the City in implementing the findings as needed



**Top and Above:** State Street Vacancies

**Source:** <https://www.pacbiztimes.com/2018/08/17/santa-barbara-urged-to-revitalize-state-street/>;

[https://www.noozhawk.com/article/changing\\_brokerage\\_signage\\_one\\_many\\_decision\\_points\\_response\\_state\\_street](https://www.noozhawk.com/article/changing_brokerage_signage_one_many_decision_points_response_state_street)

# Existing Conditions (Cont.)

- The City is home to a major university (UCSB) and other educational institutions, is accessible by plane, train, ship and a major highway – US 101, and is in close proximity to open space and recreational amenities
- The future for Santa Barbara's Downtown has its hurdles, as the digital economy converts the lifestyles and social patterns of every generation
- With online channels for purchasing clothing, shoes and an array of soft goods, the most vibrant communities are faced with closure of department stores and reduction in retail brick and mortar formats
- These forces demand new approaches to land use to capture trips and thus "sales" sufficient to retain vibrant commercial districts



Top: Aerial view of UC Santa Barbara; Above: Santa Barbara Amtrak Station



# Existing Conditions (Cont.)

- Retail districts across the U.S. are evolving into blended use areas with residential, office, hotel and entertainment
- In some big box and department store spaces we are seeing theaters combined with food halls, or other entertainment uses such as video arcades, bowling centers and even co-working office spaces with food and beverage venues
- Macerich has recently announced a new concept called Brandbox, that provides short term flex space for numerous e-commerce businesses to try out “brick and mortar” formats in a mall location



**Top:** The Bloc – an example of a reused space from an enclosed shopping mall to an outdoor plaza with a blend of uses; **Above:** Example of Macerich's “Brandbox” allowing online retailers to have a physical presence

# 1. Project Background / Existing Conditions

## *Demographic Summary*

# Population and Income

## *City, County, and State*

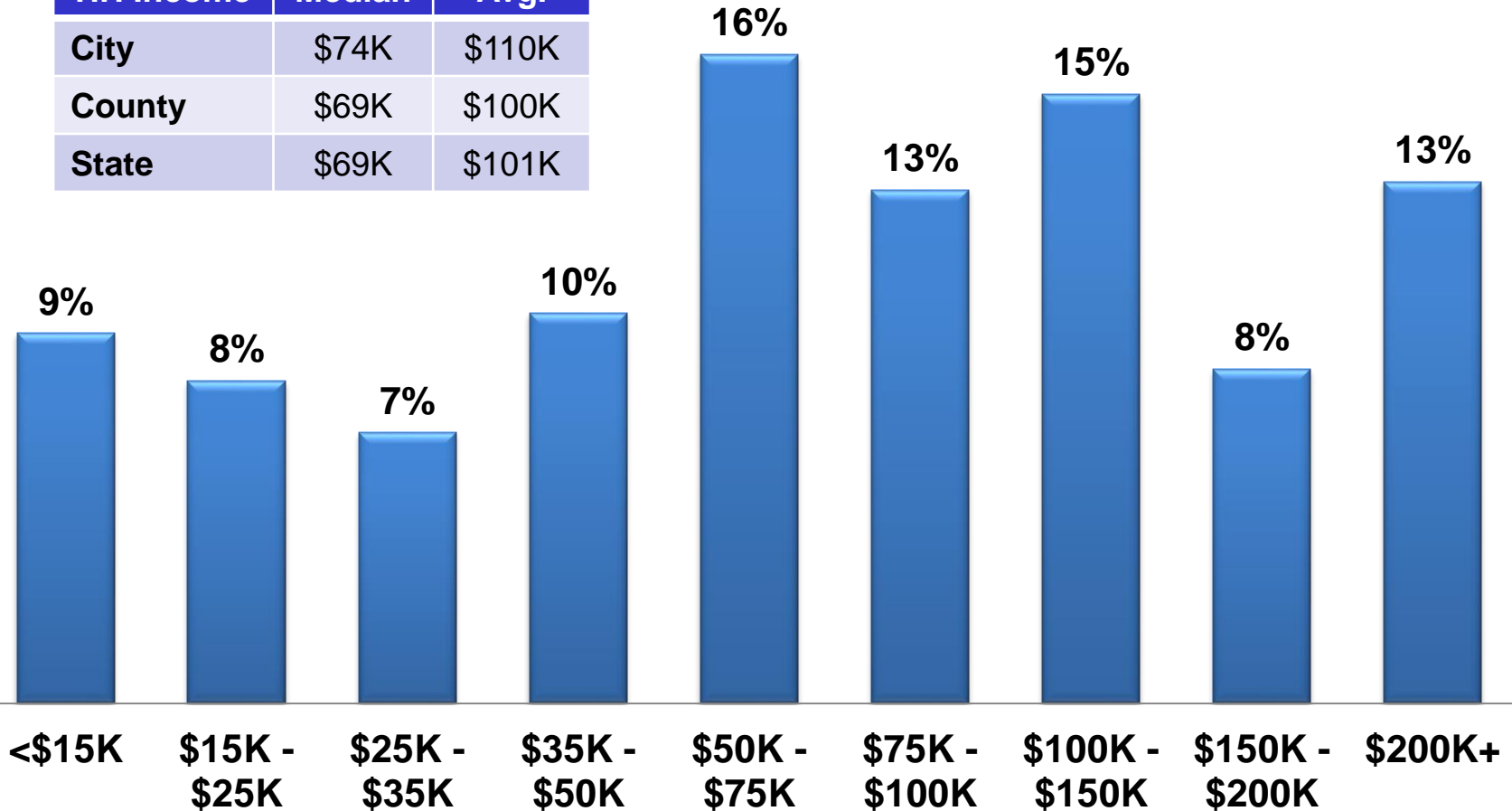
<b><u>2018</u></b>	<b>City of Santa Barbara</b>	<b>County of Santa Barbara</b>	<b>State of California</b>
<b>Population</b>	92,394	450,587	39,806,791
<b>Households</b>	36,969	150,199	13,336,104
<b>Average HH Size</b>	2.45	2.88	2.92
<b>Median Age</b>	38.0	34.9	36.2
<b>% Hispanic Origin</b>	41.2%	46.0%	39.6%
<b>Per Capita Income</b>	\$44,169	\$34,278	\$34,254
<b>Median HH Income</b>	\$74,325	\$68,983	\$69,051
<b>Average HH Income</b>	\$109,576	\$100,205	\$100,620
<b><u>Housing Data</u></b>			
<b>Median Home Value <sup>/1</sup></b>	\$1,162,000	\$676,000	\$506,000
<b>Median Rent <sup>/1</sup></b>	\$2,625	\$2,141	NA

Source: ESRI (2019) Note: /1 Housing data from Zillow

# Income Profile

## City of Santa Barbara – 2018 Households by Income Bracket

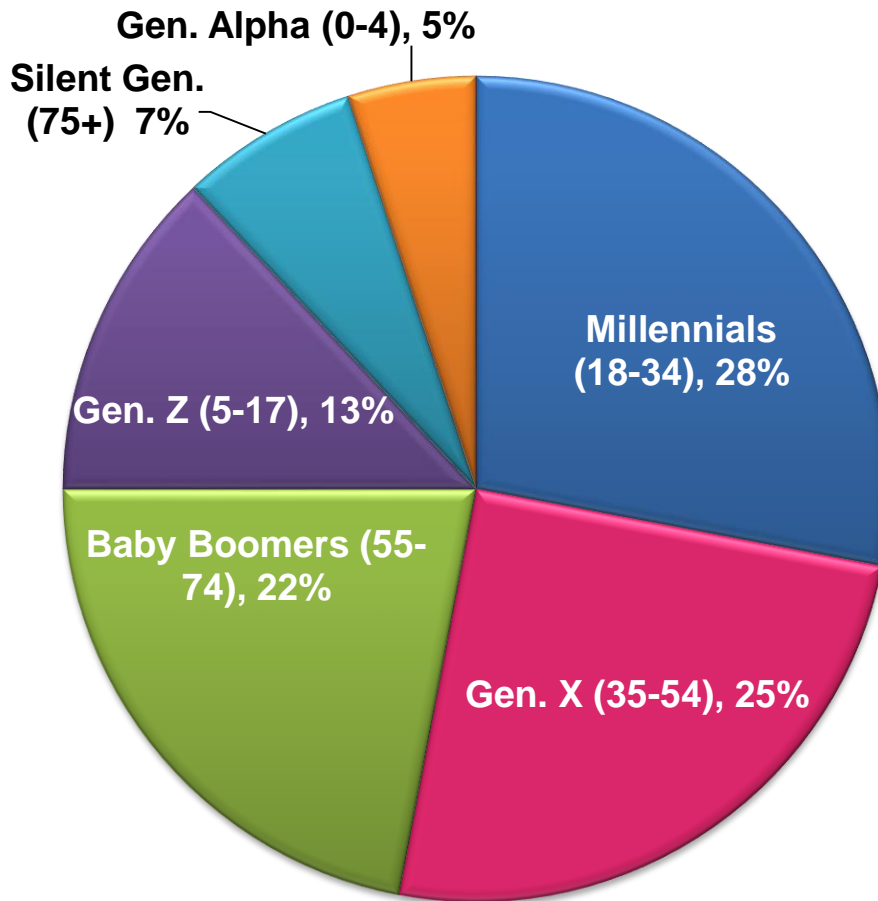
HH Income	Median	Avg.
City	\$74K	\$110K
County	\$69K	\$100K
State	\$69K	\$101K



Source: ESRI (2019)

# Age Profile

## Santa Barbara Population by Age Bracket in 2018



Region	Median Age
City	38.0
County	34.9
State	36.2

Generation	Population (2018)
Millennials (18-34 years old)	25,778
Gen. X (35-54 years old)	22,914
Baby Boomers (55-74 years old)	20,234
Gen. Z (5-17 years old)	11,642
Silent Gen. (75+ years old)	7,022
Gen. Alpha (0-4 years old)	4,804
<b>TOTAL POPULATION</b>	<b>92,394</b>

Source: ESRI (2019)

# Population Segmentation Profile

“Tapestries” in City		Description
<b>1. Trendsetters</b>	22%	<ul style="list-style-type: none"> <li>• Educated, young singles and more than half possess a bachelor's degree or higher; Median age of 36</li> <li>• Many live in upscale, urban, multi-unit buildings and are willing to pay well above the U.S. average rent</li> <li>• Many hold well paid jobs and prefer to spend than save</li> <li>• Image is important to these consumers and use the Internet to keep up with styles and trends and shop around for good deals</li> <li>• Consumers prefer to shop online and at Trader Joe's and Whole Foods for groceries</li> </ul>
<b>2. Urban Chic</b>	17%	<ul style="list-style-type: none"> <li>• Residents are slightly older professionals that live a sophisticated, exclusive lifestyle; Median age of 43</li> <li>• Half of households are married couples and about 30% are singles</li> <li>• Majority live in owner-occupied, single-family homes</li> <li>• Well educated – more than 65% hold a bachelor's degree or higher</li> <li>• Unemployment is well below average; Residents are employed in white collar occupations</li> <li>• Consumers like to shop at Trader Joe's, Costco, or Whole Foods</li> </ul>
<b>3. Exurbanites</b>	9%	<ul style="list-style-type: none"> <li>• Older than average population, majority White, high income empty nesters or married couples with no children; Median age of 51</li> <li>• 80% have some college degree, and more than half hold a bachelor's</li> <li>• Labor force is beginning to retire; Unemployment remains low, with many residents being self-employed</li> <li>• Majority live in owner-occupied, single family homes</li> <li>• Gardening and home improvement are priorities; Many residents use a number of services from home to personal care and prefer natural/organic products</li> </ul>

Source: ESRI (2019)



# Worker Inflow / Outflow

## *“Are jobs coming or going?”*

Workers Living and Working	18,499
Workers Coming (Inflow)	35,538
Workers Going (Outflow)	21,096
<b>Net Inflow/Outflow</b>	<b>14,442</b>
<b>Employment Ratio*</b>	<b>1.36</b>



Workers employed in the city  
but living outside

35,538

Workers living in the city but  
employed outside

21,096

### Reference: Santa Barbara County

Workers Living and Working	122,956
Workers Coming (Inflow)	59,894
Workers Going (Outflow)	51,107
<b>Net Inflow/Outflow</b>	<b>8,787</b>
<b>Employment Ratio*</b>	<b>1.05</b>

Workers living & employed  
in the city

18,499

\***Employment Ratio** = People employed within city (living and working in city + those who come into the city for work) / Employed population of city (living and working in city + workers who live in the city, but work outside of the city)

**Source:** U.S. Census Bureau Center for Economic Studies (2015)

# Summary Highlights

- Low density population of 92,00 people
- Older population - median age of 38.0 in city (older than Santa Barbara County and State median ages)
- Majority of Santa Barbara's population is White (73%); Households are a mix of young single professionals or slightly older professionals
- Average household size of 2.45 is smaller than both County and State average household sizes; Average household income of \$109,000 is higher than the County and State average household incomes
- Educational attainment in Santa Barbara is higher than that of the County and the State, with a sizable population (48%) of residents completing a bachelor's degree or higher
- Santa Barbara experiences a larger daytime population, as 15,000 more people enter the City for work compared to those who leave

## 2. Retail / Hotel Market Factors & Trends

### *Retail Overview*

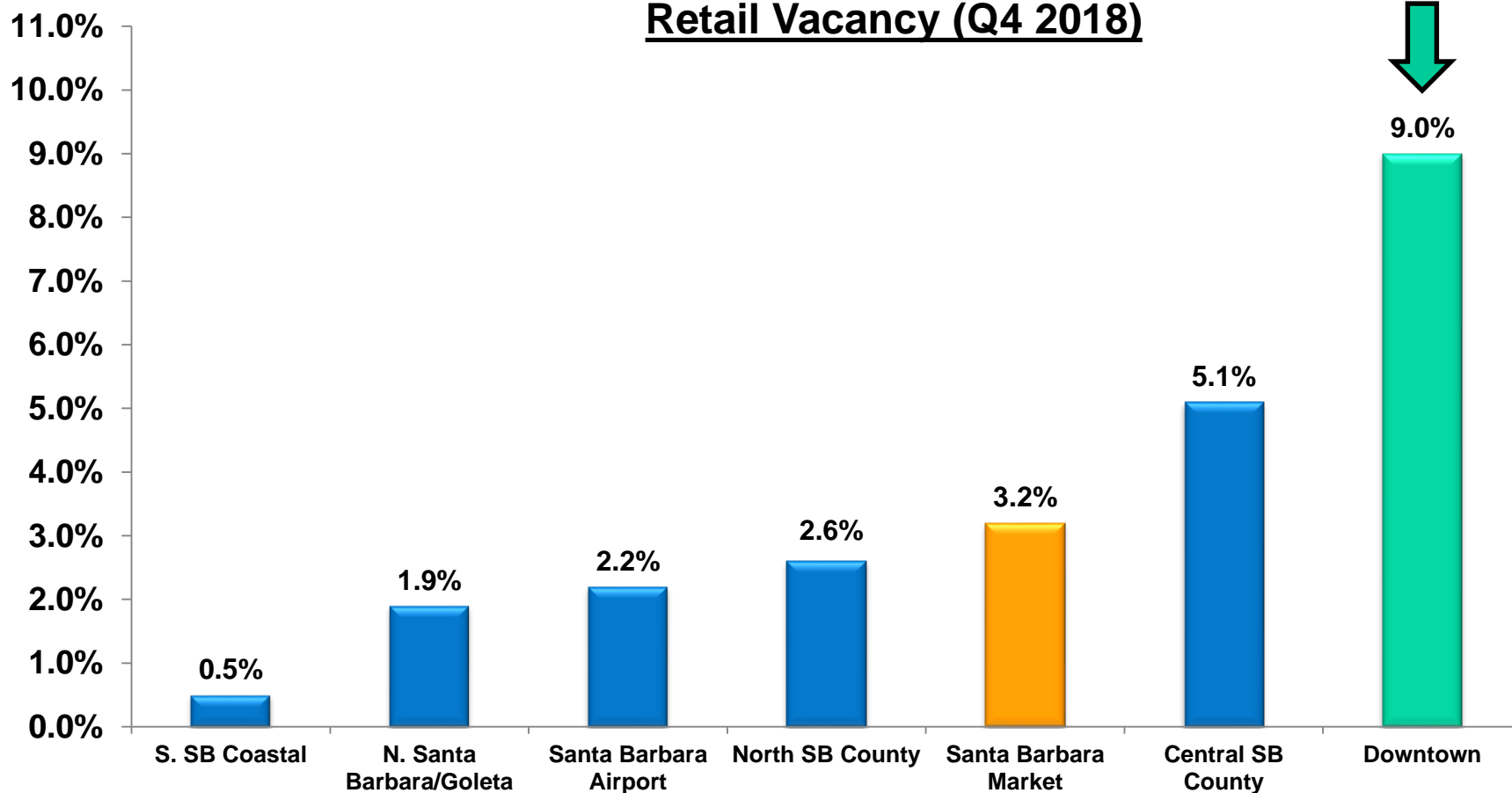
# County Retail Submarkets



Source: CoStar (Q4 2018)

# Retail Submarket Vacancy by Geography

## Retail Vacancy (Q4 2018)



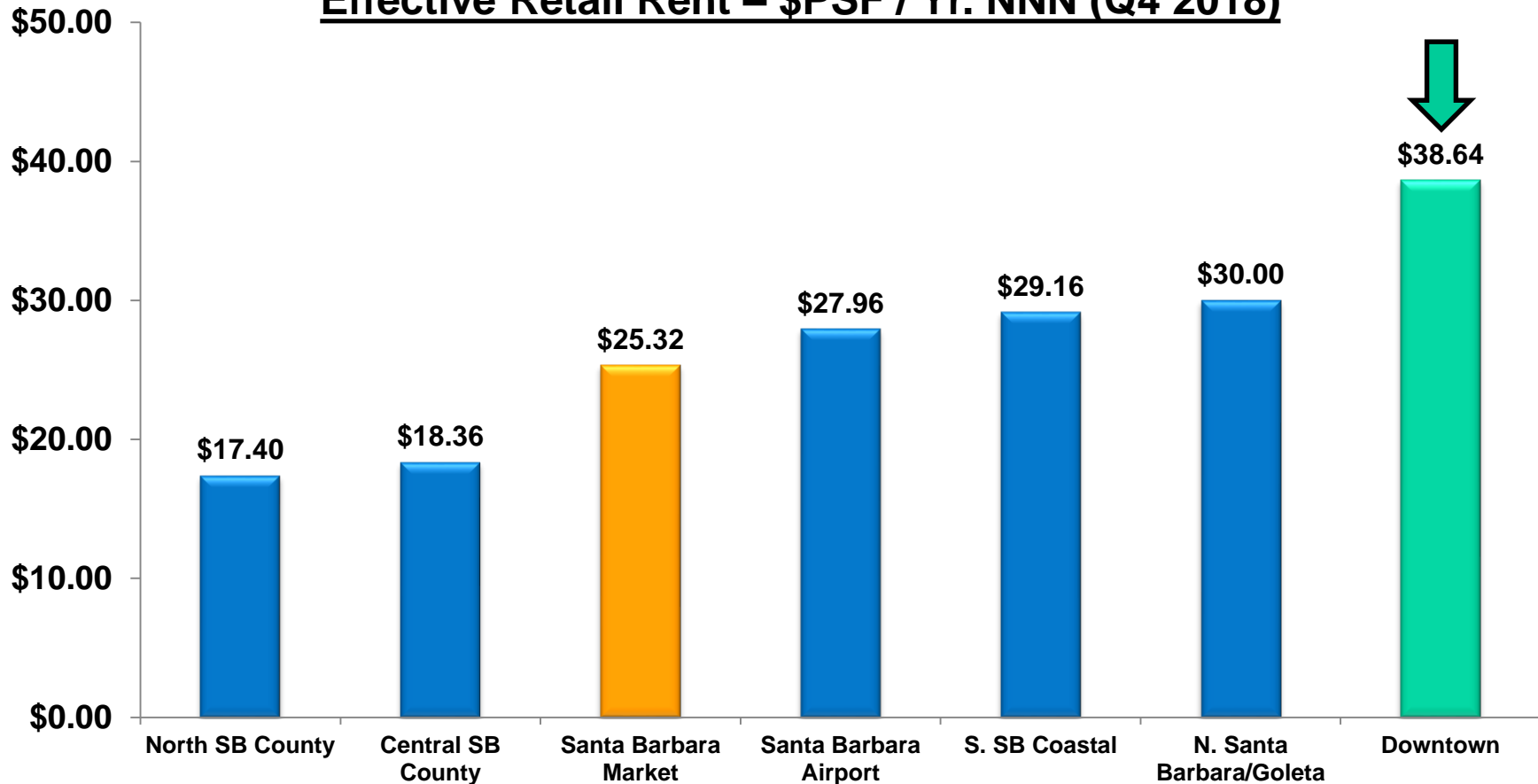
### Total Gross Leasable Area (GLA) in millions of SF:

5.4	2.8	2.0	6.5	23.6	3.8	3.1
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**Source:** CoStar (Q4 2018) **Notes:** The Outlying SB County submarket was removed from this analysis due to the low amount of retail in the submarket (20,000 SF over 2 buildings). Furthermore, vacancy rates were not provided for this submarket. Santa Barbara Market represents the overall market (combination of all submarkets).

# Retail Lease Rates by Geography

## Effective Retail Rent – \$PSF / Yr. NNN (Q4 2018)



### Total Gross Leasable Area (GLA) in millions of SF:

6.5	3.8	23.6	2.0	5.4	2.8	3.1
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**Source:** CoStar (Q4 2018) **Notes:** The Outlying SB County submarket was removed from this analysis due to the low amount of retail in the submarket (20,000 SF over 2 buildings). Furthermore, vacancy rates were not provided for this submarket. Santa Barbara Market represents the overall market (combination of all submarkets).

# Retail Market Summary

	Retail Summary (Q4 2018)	
	Downtown SB Submarket	Santa Barbara Market
<b>Availability</b>		
NNN Rent Per SF	\$38.64	\$25.32
Vacancy Rate	9.0%	3.2%
Vacant SF	274,685	767,229
Net Absorption	(27,843)	116,852
<b>Inventory</b>		
Existing Buildings	405	2,170
Existing SF	3,059,000	23,636,420

**Source:** CoStar (Q4 2018) **Notes:** The Outlying SB County submarket was removed from this analysis due to the low amount of retail in the submarket (20,000 SF over 2 buildings). Furthermore, vacancy rates were not provided for this submarket. Santa Barbara Market represents the overall market (combination of all submarkets).

# State Street Rent / Vacancy By Block

- It is important to understand that State Street is not a homogeneous retail market, with significant variance in rent rates and vacancy rates by block. There are approximately 30 storefronts that are available for lease according to a survey by Radius Retail:

Block	Est. Vacant Space (SF)	Asking Rents (\$PSF/Yr.)
400 Block	25,000	\$25-35
500 Block	4,000	\$45-50
600 Block	24,000	\$40-50
700 Block	9,000	\$55-70
800-900 Blocks	22,000	\$45-60
1000 Block	10,000	\$25-45
1100 – 1300 Blocks	6,000	\$30-40

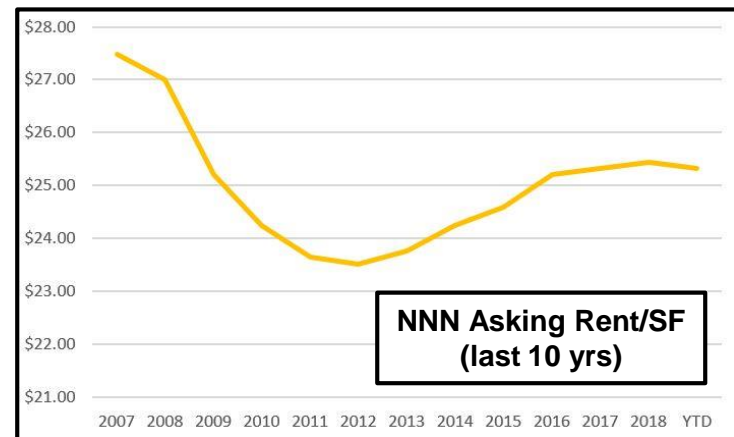
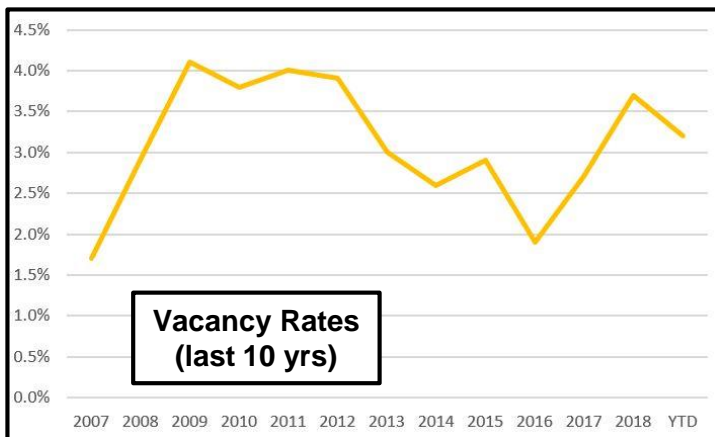
Source: CoStar (Q4 2018)



# Retail Market History

## Santa Barbara

Year	Inventory SF	Vacant SF Total	Vacant Percent % Total	Net Absorption SF Total	NNN Rent Overall
YTD	23,636,420	767,229	3.2%	116,852	\$25.32
2018	23,636,420	884,081	3.7%	(102,402)	\$25.44
2017	23,499,267	644,526	2.7%	157,199	\$25.32
2016	23,136,364	438,822	1.9%	335,949	\$25.20
2015	23,031,231	669,638	2.9%	(49,068)	\$24.60
2014	23,020,430	609,769	2.6%	112,315	\$24.24
2013	22,998,715	700,369	3.0%	259,167	\$23.76
2012	22,934,178	894,999	3.9%	182,829	\$23.52
2011	22,776,230	919,880	4.0%	(62,147)	\$23.64
2010	22,776,230	857,733	3.8%	182,205	\$24.24
2009	22,659,745	923,453	4.1%	(227,181)	\$25.20
2008	22,613,890	650,417	2.9%	(222,238)	\$27.00
2007	22,562,384	376,673	1.7%	546,218	\$27.48



Source: CoStar (Q4 2018).

# Retail Sales Surplus / Leakage by Category

## City of Santa Barbara

Retail Category	Retail Spending Potential	Retail Sales	Retail Surplus/ (Leakage)	Percent Surplus/ (Leakage)	Online Sales Leakage Potential
<b><i>Shopper Goods (GAFO):</i></b>					
Clothing & Clothing Accessories Stores	\$117,828,039	\$187,751,922	\$69,923,883	59.3%	High
General Merchandise Stores	\$265,759,540	\$189,499,281	(\$76,260,259)	(28.7%)	Med
Furniture & Home Furnishings Stores	\$58,199,460	\$72,053,522	\$13,854,062	23.8%	Med
Health & Personal Care Stores	\$108,465,184	\$124,481,657	\$16,016,473	14.8%	Med
Sporting Goods, Hobby, Book & Music Stores	\$50,840,940	\$79,692,626	\$28,851,686	56.7%	High
Electronics & Appliance Stores	\$58,238,383	\$83,538,493	\$25,300,110	43.4%	High
Miscellaneous Store Retailers	\$58,554,111	\$74,624,777	\$16,070,666	27.4%	Varies
<b>Subtotal – GAFO</b>	<b>\$717,885,657</b>	<b>\$811,642,278</b>	<b>\$93,756,621</b>	<b>13.1%</b>	
<b><i>Convenience Goods:</i></b>					
Food & Beverage Stores (Grocery)	\$258,860,443	\$415,767,885	\$156,907,442	60.6%	Low
Food Services & Drinking Places (Restaurants)	\$176,774,615	\$289,692,258	\$112,917,643	63.9%	None
<b>Subtotal – Convenience</b>	<b>\$435,635,058</b>	<b>\$705,460,143</b>	<b>\$269,825,085</b>	<b>61.9%</b>	
<b><i>Heavy Commercial Goods:</i></b>					
Bldg Materials, Garden Equip. & Supply Stores	\$89,408,009	\$89,014,688	(\$393,321)	(0.4%)	Low
Motor Vehicle & Parts Dealers	\$317,414,746	\$359,381,263	\$41,966,517	13.2%	Low
Gasoline Stations	\$136,327,499	\$110,491,452	(\$25,836,047)	(19.0%)	None
<b>Subtotal – Heavy Commercial</b>	<b>\$543,150,254</b>	<b>\$558,887,403</b>	<b>\$15,737,149</b>	<b>2.9%</b>	
Non-store Retailers	\$47,251,628	\$14,784,810	(\$32,466,818)	(68.7%)	Varies
<b>Total Retail</b>	<b>\$1,743,922,597</b>	<b>\$2,090,774,634</b>	<b>\$346,852,037</b>	<b>19.9%</b>	

Source: ESRI, Infogroup (2019)

# Retail Market Forces

- Retail sales in the City exceed local resident buying power by over \$300 million per year. The only categories with leakage are General Merchandise (Wal-Mart, Costco etc.) and gasoline stations
- With a stable and aging population, there are limited prospects for attracting major new retail even in the most desirable locations given current retail trends
- Today's consumers are spending more in large discount warehouses (value shopping) and on e-commerce websites such as Amazon.com (convenience shopping)
- With significant online channels for purchasing clothing, shoes and an array of soft goods, even the most vibrant communities are faced with reduction in retail brick and mortar formats



# Summary: Retail Market Conditions

- Downtown has seen a significant surge in retail vacancies following the closure of Macy's in Paseo Nuevo mall in early 2017, followed by Staples and dozens of smaller shops and restaurants along State Street
- Downtown Santa Barbara retail vacancy rate (9.0%) is significantly **higher** than the vacancy rate of the overall market (3.2%)
- Asking lease rates along State Street in Santa Barbara are **higher** than those for all of the neighboring submarkets, but have started declining
- For Q4/2018, Costar data shows average rent for the 3.1 million square feet in Downtown to be \$38.64 psf, as compared to \$28 - \$30 psf for Goleta, airport area and other coastal submarkets
- With average retail rents approaching \$40 psf NNN, plus CAM and utility costs, retailers need to achieve sales of \$400 psf or higher

# Summary: Retail Market Conditions (Cont.)

- An analysis of recent sales for the 10 block area of State Street indicates that total annual retail sales (excluding Macy's) to be a little more than \$400 million, which would support approximately 1 million SF of retail/restaurant uses
- It is important to note that this inventory excludes movie theaters and other live entertainment venues that do not generate significant sales tax
- A rough survey of retail establishments using Costar data indicates gross retail inventory on the same 10 block area of 1.5 million SF. This indicates that there may be 400,000 to 500,000 SF that is not supportable in the long term unless more customers come Downtown
- Kosmont believes that this imbalanced market condition will likely worsen thus the plan to bring more residents, office workers and local residents Downtown

**Source:** CoStar (Q4 2018).

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## 2. Retail / Hotel Market Factors & Trends

### *Hotel Market Overview*



# Santa Barbara Tourism

Visit Santa Barbara hired Destination Analysts in 2017 to do a tourism study based on over 1,700 comprehensive visitor surveys. Key findings from 2016/17 survey include:

- Of the 7 million annual visitors, approximately 23% stayed in hotels, motels or B&B's. Average length of stay was 2.8 days
- Average household income of hotel guests was \$167,000
- 75% of hotel visitors were married and 25% singles – avg. spend of \$521 per day
- 60% of day visitors are married with avg. daily spend of \$126 per party
- Top activities of both hotel guests and day visitors were restaurant dining (70-75%), beaches (50-60%) and shopping (40-50%)
- Wine tasting, museums, gardens/parks and bars/nightlife were other significant attractions



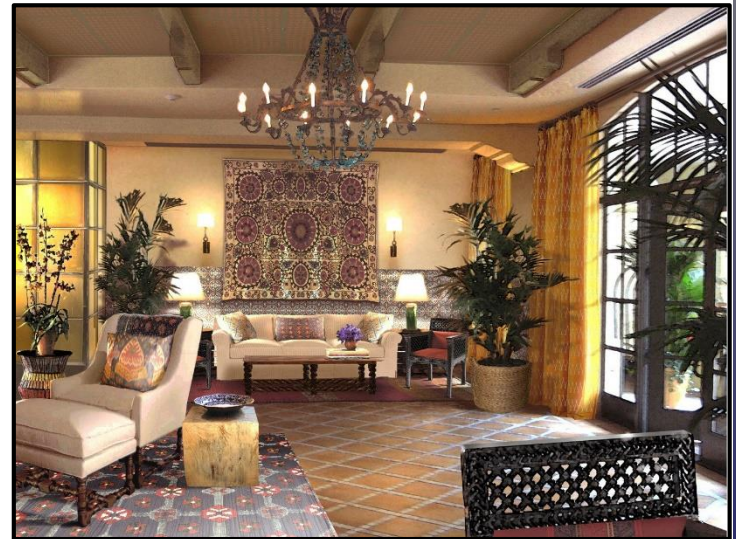
Left: Front of the Hotel Santa Barbara

- Kosmont examined Smith Travel Research (“STR”) monthly midscale, upscale and luxury hotel market data for Santa Barbara since 2013
- For 2018, STR surveyed 23 properties with a total of 2,511 rooms. (Many hotels are not included in STR data)
- However, the 2017 Thomas fire and subsequent mudslides had a significant impact on hotel occupancy throughout the area causing occupancy rates to drop

## Hotel demand is cyclical by day of week:

- Sun – Mon avg. occupancy is 60% to 70%
- Tues – Thurs avg. occupancy is 70% to 80%
- Fri – Sat avg. occupancy is 80% to 95%

Source: Smith Travel Research (2018)



**Top:** Entrance to the Kimpton Canary Hotel in Downtown Santa Barbara;  
**Above:** Interior of the Kimpton Canary Hotel



## Hotel demand is cyclical by season:

- Winter (Dec – Feb) avg. occupancy is lowest at 60% to 70%
- Spring (March - May) avg. occupancy is sound at 70% to 75%
- Summer (June – Sept) avg. occupancy is strong at 75% to 90%

## Room rates also vary significantly by season:

- Winter rates are 25% below annual average
- Summer sees highest rates 25% above annual average

Source: Smith Travel Research (2018)



**Top:** Entrance to the Hotel Indigo in Santa Barbara's Funk Zone  
**Above:** Outdoor lounge of the Hotel Indigo

# Hotel Performance Summary

12 Months Ending in December	Avg. Occupancy	ADR	Annual Supply of Room Nights	Annual Demand for Room Nights	Change in Occupied Room Nights	RevPAR	Change in RevPAR
2013	73.5%	\$251.55	848,800	624,300	33,500	\$185.01	9.4%
2014	77.7%	269.97	859,400	667,900	43,500	209.82	13.4%
2015	77.4%	281.74	867,800	671,400	5,600	217.96	3.9%
2016	77.1%	293.67	869,600	670,400	(1,000)	226.38	3.9%
2017	74.5%	297.04	885,000	660,600	(9,800)	221.73	(2.1%)
2018	74.5%	296.68	885,600	659,700	(900)	220.25	(0.7%)
<b>Total Growth 2013-2018 (%)</b>	<b>1.3%</b>	<b>17.9%</b>	<b>4.3%</b>	<b>5.6%</b>	-	19.0%	-

Source: Smith Travel Research (2018)

# Performance by Month and Day of Week

## Performance by Month

Month	Avg. Occupancy	ADR	RevPAR
January 2018	72.0%	\$219.04	\$157.60
February 2018	69.3%	226.98	157.27
March 2018	71.9%	244.08	175.52
April 2018	75.4%	260.38	196.22
May 2018	72.4%	269.16	194.84
June 2018	77.1%	322.17	248.38
July 2018	88.2%	363.22	320.43
August 2018	86.4%	376.11	325.04
September 2018	77.6%	325.35	252.53
October 2018	73.1%	305.94	223.68
November 2018	69.8%	293.85	205.12
December 2018	59.4%	274.92	183.33
<b>Average</b>	<b>74.5%</b>	<b>\$295.66</b>	<b>\$220.25</b>

*Strong summer demand, peaking in July*

## Performance by Day of Week

Day	Avg. Occupancy	ADR	RevPAR
Sunday	65.7%	\$282.33	\$185.48
Monday	67.5%	260.44	175.79
Tuesday	70.%	255.72	181.33
Wednesday	74.1%	259.23	192.01
Thursday	75.7%	273.31	206.96
Friday	80.7%	348.93	281.42
Saturday	87.0%	367.02	319.39
<b>Average</b>	<b>74.5%</b>	<b>\$295.66</b>	<b>\$220.25</b>

*Strong weekend demand, peaking Saturday*

# Tourism Observations

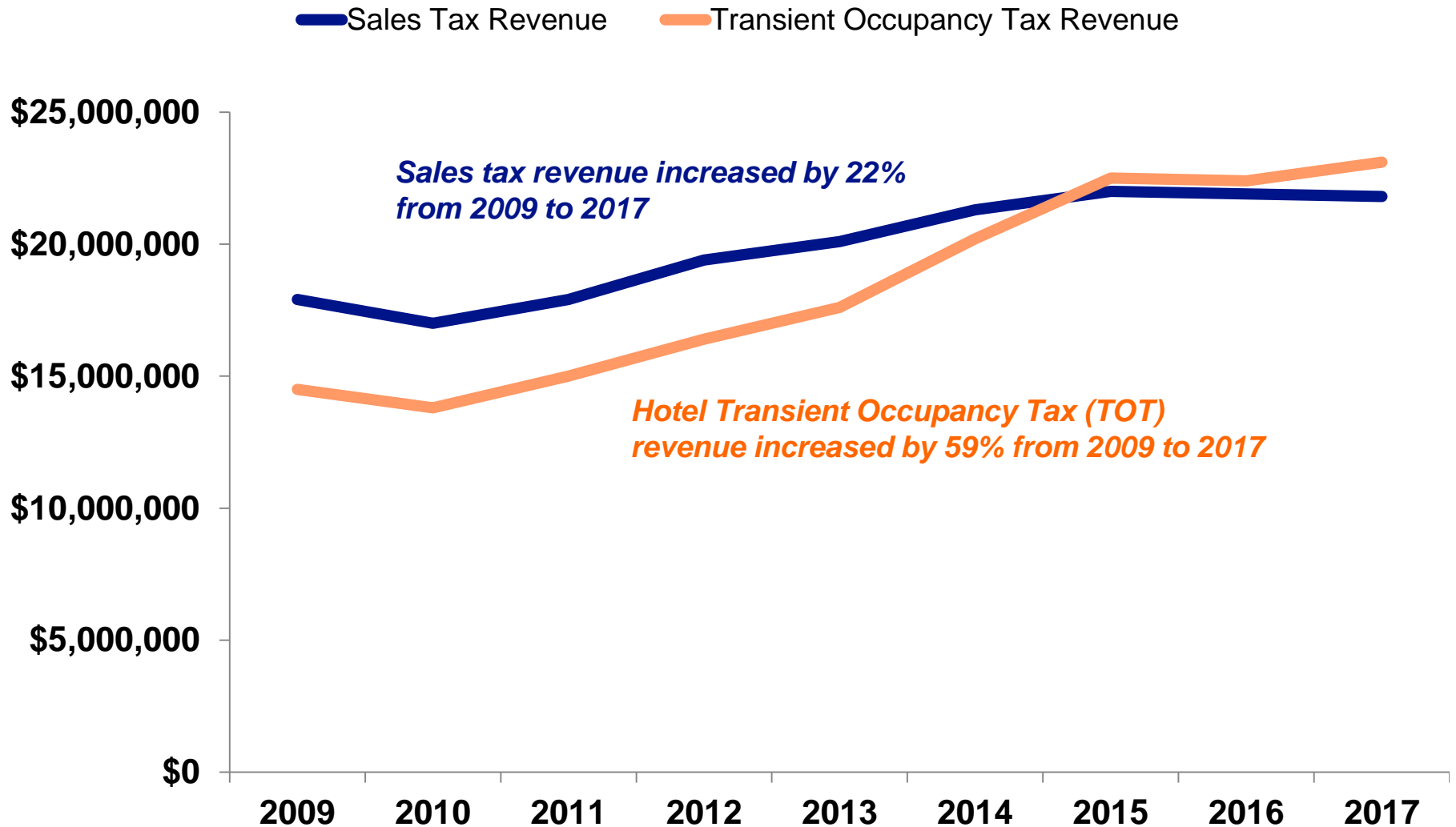
## Our observations:

- Santa Barbara has many major attractions for day visitors and overnight guests (Santa Barbara Mission, Museum of Art, zoo, beaches/waterfront, wineries and an historic downtown)
- City is internationally known and is centrally located within 100 miles of 10 million people in L.A County
- Tourism is a major economic benefit for the City, with the 7 million visitors spending over \$1.8 billion annually and generating over \$50 million in annual tax revenues to help fund excellent police & fire protection, and other community benefits for the 92,000 residents
- With a less anti-business attitude, Santa Barbara can recapture a greater share of retail demand (and tax revenues) with high quality facilities, in conjunction with a vibrant commercial and dining district and a tourism friendly atmosphere

## 2. Retail / Hotel Market Factors & Trends

### *City Economic Trends*

# Historic Tax Revenue



Source: City of Santa Barbara CAFR (FY 2017 - 2018)

# Retail Sales Comparison

## *Santa Barbara & Comparison Cities*

### % OF TOTAL RETAIL SALES IN COUNTY 2007-2017

	<b>Santa Barbara</b>	<b>Goleta</b>	<b>Santa Maria</b>
2017	31.0%	11.6%	28.2%
2016	31.0%	11.6%	28.1%
2015	31.9%	11.9%	27.7%
2014	32.3%	12.5%	27.1%
2013	32.2%	12.9%	26.7%
2012	32.6%	13.4%	26.8%
2011	32.5%	13.7%	26.8%
2010	32.6%	13.8%	27.2%
2009	33.0%	13.5%	27.2%
2008	33.9%	12.9%	27.9%
2007	33.1%	12.9%	29.6%

**Source:** "2018 California Retail Survey", Eureka Group

# Summary: Economic Trends

- Visitor/Tourism is a major contributor to the City General Fund, yielding over \$50 million per year in tax revenues for police, fire and community services
- City hotel transient occupancy tax (TOT) and sales taxes have been flat since 2014
- End of Redevelopment in 2013 resulted in loss of \$15-20 million per year for downtown maintenance and revitalization
- Measure C passed in 2017 increasing local sales tax by 1% to address infrastructure needs and downtown funding – raising \$20 million annually



# Summary: Economic Trends (Cont.)

- Kosmont examined retail sales in detail by geographic area between 2009 through 2018
  - Since 2009 Santa Barbara County retail sales – up 36%
  - Santa Barbara City retail sales - up 25%
  - State Street sales – up 10%
  - La Cumbre Plaza sales – **down 20%**
- Focusing on the last five year period, Countywide retail sales have increased modestly, while State Street retailers have actually seen a 15% annual sales decline, reaching \$80 million annually in 2018 (resulting in a \$1.6 million loss to General Fund), with further declines expected in 2019
- Santa Barbara City has also seen a steady decline in its share of Countywide retail sales

## 2. Retail / Hotel Market Factors & Trends

### *National Retail Trends*

# The Evolution of Retail

*Modern retail reflects how we are buying and what we are doing;  
Follow the changes in retail &  
you can see the changes occurring in the overall economy*

- 2013**     ***Big Box Shrinkage***
- 2014**     ***Food & Place are New Anchor Tenants***
- 2015**     ***Blended Use: Place, not Space***
- 2016**     ***Millennials Want Experience***
- 2017**     ***E-tail is about Omnichanneling***
- 2018**     ***Distribution Revolution Creates Redustrial***

**2019**

***Storytelling through Social Media***

*What we like & what we want is played out on social media*



# Omnichanneling

***Omnichannel strategies are “an approach to sales and marketing that provides customers with a fully integrated shopping experience by uniting user experiences from brick-and-mortar to mobile-browsing and everything in between.”***

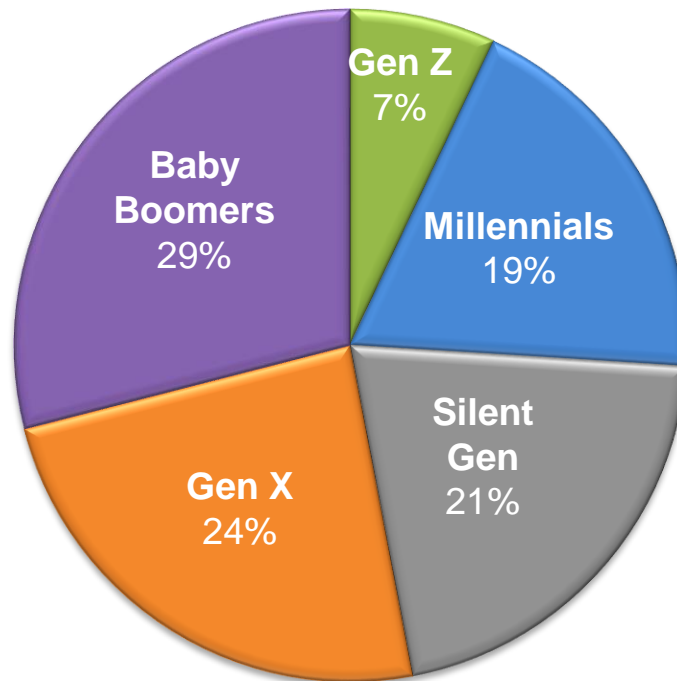


***All products to all consumers at all times in all ways!***

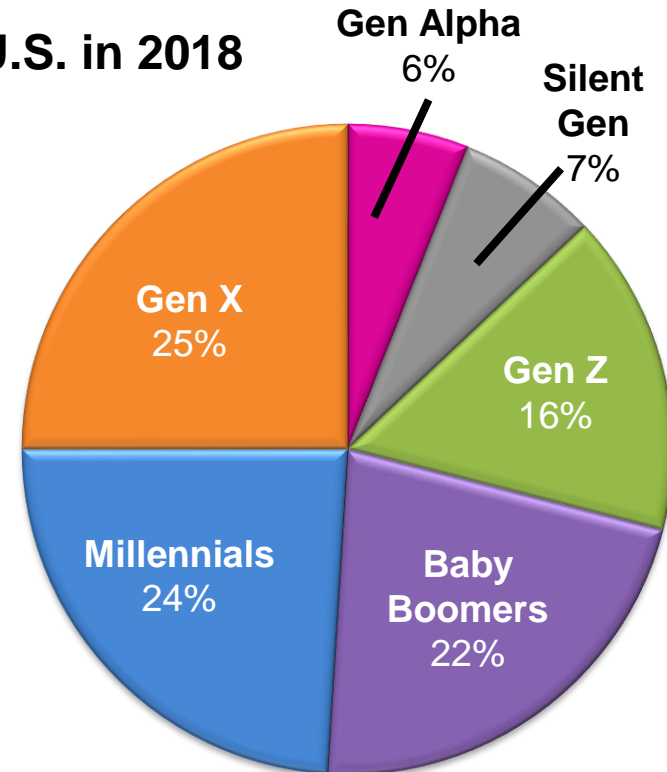
Source: <https://www.shopify.com/enterprise/omni-channel-retail-strategy>; V12, “25 Amazing Omnichannel Statistics every Marketer Should Know”

# Pursuing the Digital Native Consumer

U.S. in 2000



U.S. in 2018



80 million Millennials and 50 million Gen. Z represent **40%** of population and **\$750 billion** in spending power

**Sources:** ICSC; Expedia, "Millennial Travel Report"; Nielsen, "Millennial Travel Study"; <http://www.pewresearch.org/fact-tank/2018/03/01/defining-generations-where-millennials-end-and-post-millennials-begin/>; <https://factfinder.census.gov/>

# How do Digital Natives Communicate?

## Social Media!

- Most popular social media mobile apps ...



- Facebook – 168 million
- Instagram – 117 million
- Facebook Messenger – 111 million
- Twitter – 70.2 million
- Pinterest – 58.2 million
- Snapchat – 52.1 million



**In 2018, Facebook accounted for 42 percent of all U.S. social media site visits**



# Retail Meets Industrial: Destination or Distribution?

- Retail is as much about **distribution** of goods as it is **destination** to consume goods. Think: disruption and bifurcation
- **Omnichanneling** – Consumers have **multiple ways to shop for and receive goods**:
  - **The Traditional Approach** – Buy and pick up in store
  - **Buy and Receive** – Buy in store receive at home
  - **Click and Collect** – Buy online and pick up in store (BOPIS)
  - **Click and Receive** – Buy online and receive at home
- E-commerce sales to **reach \$500 billion in 2018**, up 14% (U.S.)
  - Growth from apparel, sporting goods, electronics, office supply and food
  - Still internet captures only approx. 10-11% of total retail sales



**Sources:** <https://www.retailcustomerexperience.com/news/omnichannel-retailers-big-winners-in-holiday-season/>; Shopping Centers Today, Feb. 2017, Datex; <https://www.statista.com/statistics/272391/us-retail-e-commerce-sales-forecast/>; <https://www.statista.com/statistics/379112/e-commerce-share-of-retail-sales-in-us/>



# Re-imagining Retail

## 1. The store is no longer just a place to buy

- MUST present an **integrated shopping environment** including locating in a diverse setting (office, work, transit, residents nearby)
- MUST **embrace omnichanneling**- develop a digital and physical presence
- MUST **redefine platforms** from just “selling” to “**solving customers’ problems/answering questions**”
- MUST **invest in technology** and make it strategic to their business



## 2. Information is at the center of the change

- MUST **become data/information oriented; embrace connectivity**
- IoT/Apps/Social Media/AI are data sources



## 3. Stake-out the digital universe

- Millennials are digital natives; consumers begin paths to purchase online
- Internet has made shopping a 24/7, anytime, anywhere activity

## 2. Retail / Hotel Market Factors & Trends

### *Stakeholder Interview Observations*

# Stakeholder Comments

- Kosmont participated in over 20 group meetings with hundreds of stakeholders, primarily comprised of architects, real estate brokers, hotel operators, business owners and property owners, City staff, and Planning Commissioners and Design Review Board
- We attended Historic Landmark Commission meetings, as well as the Experiment Weekend. There were many themes that came out of these discussions:
  - Historic context, changing conditions
  - Problems with City zoning code and permit process
  - Changing market forces
  - Public Investment needs
- We have itemized these comments along with our own internal observations and lessons learned from similar downtown revitalization assignments throughout California

- As of late 2015, Downtown retail was strong with few vacancies
- Following 2008-2009 Great Recession, businesses recovered until 2015, when a steady decline followed
  - Thomas Fire and subsequent mudslides closed the 101 Freeway for almost a month during peak holiday season in 2017
- Currently, Downtown is experiencing increased vacancy of commercial space, with limited retail openings in recent years
- Resident population is increasingly shopping outside Santa Barbara – negatively impacting retail sales on State Street
- Females expressed concern about safety and convenience of parking structures
- Few new retail shops opened in recent years and tourism cannot support all existing retail stores



# Market Forces



- Retailers are facing new challenges: Bulk discount centers and online retail are cannibalizing conventional store sales globally
- Food service comprises as much as 30% of all shopping center tenants
- Santa Barbara needs more specialty shops that provide unique goods and needs to attract visitor spending to improve Downtown retail sales
- State Street has lost cache for high-end customers and local residents
- Funk Zone is attracting Millennials with strong food and beverage options enhanced by ocean frontage





# Other Conditions

- City does not have a business-friendly reputation (e.g., difficult entitlement and permitting rules)
- Permit process for new retailers is expensive and high risk
- Planning and building departments are short staffed
- Hard to maintain quality workforce because of high cost of housing
- Some landlords are not motivated to lower rents due to past elevated rent expectations
- City staff not enthusiastic to expedite development
- Vagrancy is hurting the image of State Street
- Residents want to see increased police presence on State Street
- 2017 Accelerate Permit Program is perceived by stakeholders as not effective
- Historic Landmarks Commission approval procedures are lengthy, costly and uncertain



# May 9 Community Innovation Workshop

- Kosmont participated in the May 9 Community Innovation Workshop, led by The Value Engineers. Over 180 residents broke into 8 subject matter groups to discuss a consensus vision and recommendations for topics such as retail renewal, use of public spaces, housing, transportation, events, planning and permitting, and the future of State Street
- A summary of the strongest supported recommendations consistent with Kosmont's recommendations is listed below:
  1. Hire Public Ombudsman for Planning & Permitting
  2. Accelerate Planning & Permitting
  3. Repurpose Space for Public/Private Events, Pop-Ups, Street Performances
  4. Pedestrian Promenade
  5. Homeless Outreach & Relocation Plan
  6. Increased Housing Density/Incentivize Development
  7. Affordable Housing for "Missing Middle" College Students and Workforce
  8. Innovation Areas/Events Throughout Downtown
  9. Economic Development Strategy
  10. Greater Police Presence



# Paseo Nuevo

- Following closure of the 138,000 SF Macy's in March 2017, Paseo Nuevo Owners, LLC ("PNO") acquired the leasehold in early 2018
- Redevelopment of the Macy's store is a critical component in the State Street revitalization. Given the surplus of retail space along State Street, Kosmont recommends a blend of uses such as housing, office, hospitality and retail
- State Street has seen an increase in creative office users taking over former retail spaces. Most notably, Amazon is rumored to have signed a lease for the entire 47,000 square foot Saks Fifth Ave store and is undergoing tenant improvements for office and ground floor retail uses, with occupancy expected by year-end 2019
- Hotel and entertainment uses also compliment a revitalized State Street



Above: Views of the Paseo Nuevo

# 3. Land Use Planning

## *Strategies & Case Studies for State Street Corridor*

# Planning Overview

- To assist the City with developing recommendations for Downtown revitalization, Kosmont has done extensive research with the help of the City's business organizations and community leadership, as well as significant case study research on success stories across the U.S.
- Today's economic forces demand new approaches to land use that explore diversification and blending of uses and densities to help capture trips and retain vibrant commercial districts
- The City is faced with a series of choices in planning for its long-term future
  - *Does the City want to strategically select and attract types of new retail/entertainment/visitor concepts – or – focus on retention of existing stores?*
  - *Does the City want to add and improve community services?*
  - *Does the City want to pursue the status quo approach – or – pursue an integrated and blended use approach that allows a residential, live/work/play environment for all generations?*
- Sustainable economic growth is characterized by a combination of judicious and strategic public policy with private sector investment. When successful, sustainable economic growth provides fundamentally reliable incomes for the labor force, profitable business opportunities for employers, and adequate tax revenues for maintaining services and infrastructure that supports the needs of the community. The major areas to improve the economic health of State Street involve increasing resident and visitor patronage of the State Street businesses

# Blended Use



Residential

Community Retail

**Experiential / Entertainment / Fitness**

Food / Grocery / Restaurants

Medical / Office / Civic

*Although there is an insatiable appetite to consume and communicate digitally, people still want to socialize, engage, eat/drink, touch and feel items, live, work and play ... **Retail Reimagined.***

# Revitalization Concepts for State Street

- Downtown Santa Barbara has been a major commercial/entertainment center for residents, college students, and visitors for decades, but the recent closure of Macy's and conversion of Saks Fifth Avenue caused the City to reexamine the retail mix, in addition to the wide range of design, planning, and permit procedures
- In Oct. 2017, the AIA Santa Barbara Chapter sponsored a design charrette with nine different groups of architects and planners focusing on separate four city block quadrants along State Street between Gutierrez Street and Victoria Street
- The design charrette groups recognized the need for smaller size residential units at high density and reduced parking requirements, as well as, increased public/private partnerships to incentivize property owners to invest in changes
- Kosmont researched how public spaces can revitalize a community as shown in the examples of the Pearl Street Mall in Boulder, CO, Campus Martius Park in downtown Detroit and others

# Pedestrian Mall & Public Spaces

**Pedestrian malls and public spaces can be used to catalyze vibrant, active, and attractive commercial districts**

Pedestrian malls work best in small/medium-sized cities for short-lengths of roads (1 – 4 blocks) with minimal impacts on high-levels of vehicular traffic. They work best when paired with:

- **Anchors** that drive captive user foot traffic throughout the day/night (e.g. universities, transit hubs, institutions, theaters, tourist destinations);
- **Amenities** such as attractive landscaping (gardens, fountains, monuments), public art, public tables / chairs, stages, artists, vendors;
- **Programming** (such as festivals, concerts, sports, food trucks) that drive vibrancy and creates a sense of place and destination;
- **Variety of Uses and Activities** that drive diverse utilization;
- **Coordinated Activities** between retailers, organizations, and city offices to ensure strategic management and area maintenance



# Pedestrian Mall Case Study: Boulder, CO

## Pearl Street Mall in Boulder, Colorado





# Pedestrian Mall Case Study: Boulder, CO (Cont.)

- The Pearl Street Mall is a four-block pedestrian mall in downtown Boulder, Colorado, and is one of the country's most successful pedestrian malls
  - **Amenities** include public art, fountains, gardens, sculptures, sandbox, street performers, musicians
  - **Destination** for restaurants, independent businesses, tourists, festivals, entertainment
  - **Anchors** nearby include the University of Colorado, Boulder; Boulder County Courthouse; Boulder Theatre; Boulder Museum of Contemporary Art
  - **Core Clientele** includes Leisured Middle (*out-of-state tourists, suburban day-trippers and CU Boulder parents*), Yupsters (*artsy and progressive Baby Boomers*), and Students



# Pedestrian Mall Case Study: Boulder, CO (Cont.)

## The Pearl Street Mall district is the “most coveted” of the Downtown Boulder subdistricts

### 2018 Downtown Retail Vibrancy Study: Pearl Street Mall

- **Lease rates** range from \$39 to \$55 per square foot (~36% increase from 2012)
- **Vacancy rate** ~2% (*empty spaces tend to be difficult properties: large in size, old-fashioned narrow-and-deep configuration*)
- **Occupancy costs** range from \$54 to \$75 per square foot NNN, demanding sales levels of roughly \$565 to \$750 per sq. ft. for retailers and \$900-\$1,250 per sq. ft. for restaurants

### 2011 Downtown Boulder Pedestrian Count Report

- **The busiest downtown area recorded** was the Pearl Street Mall, with foot traffic of 5,676 between 5:00pm - 7:00pm on a Saturday in June 2011
- **Special Events** (*festivals, music*) increased pedestrian counts on the Pearl Street Mall by 45% - 76%

**Source:** [https://www-static.bouldercolorado.gov/docs/Downtown\\_Boulder\\_Retail\\_Vibrancy\\_Study\\_FINAL-1-201804181359.pdf](https://www-static.bouldercolorado.gov/docs/Downtown_Boulder_Retail_Vibrancy_Study_FINAL-1-201804181359.pdf); <https://www.boulderdowntown.com/files/docs/2011-downtown-boulder-ped-count-report.pdf>

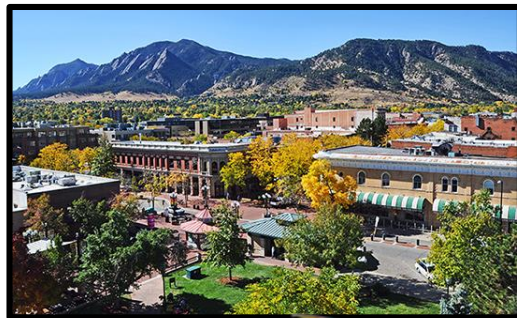
## 2017 Downtown Boulder Retail Lease Rate Estimates (annually, per sq. ft.)

	2012	2017
Pearl Street Mall (11 <sup>th</sup> to 15 <sup>th</sup> )	\$29 - \$40	\$39 - \$55
West End (8 <sup>th</sup> to 11 <sup>th</sup> )	\$25 - \$32	\$30 - \$75*
East End (15 <sup>th</sup> to 19 <sup>th</sup> )	\$30 - \$45	\$30 - \$45

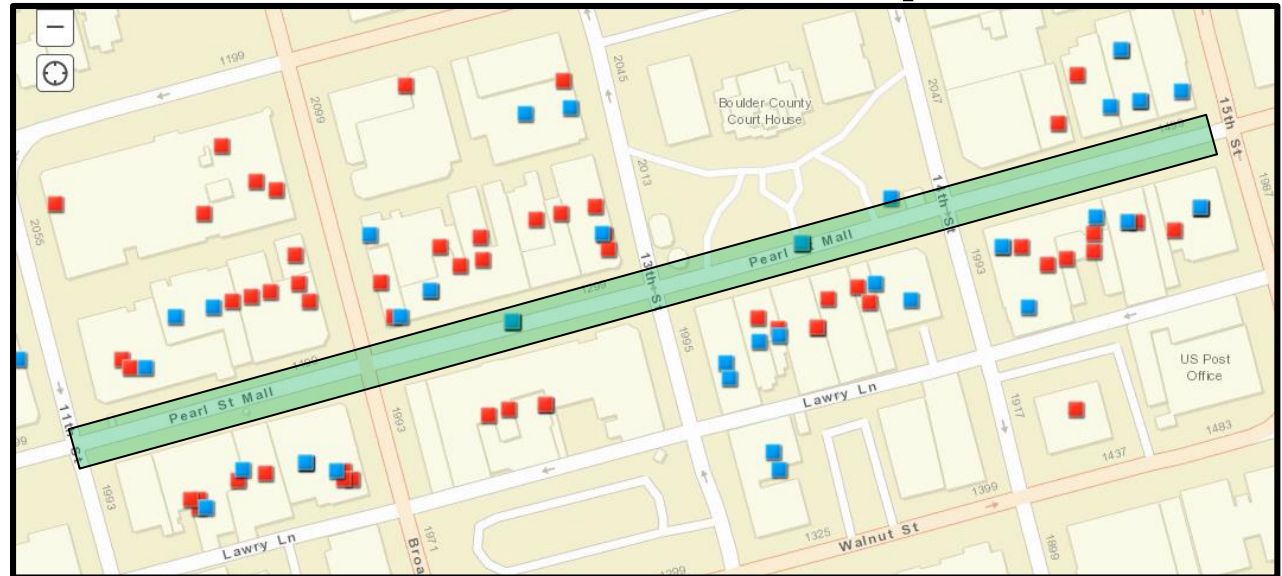
*\*A new shopping center, PearlWest, pushed retail rates to \$75 in the West End, but those rates will likely settle in the \$30s to \$40s per sq. ft.*



# Pedestrian Mall Case Study: Boulder, CO (Cont.)



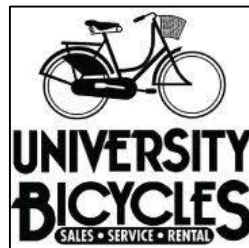
## Pearl Street Mall Site Map



Retail



Dining



COMMON ERA





# Pedestrian Mall Case Study: Boulder, CO (Cont.)

## City Vehicle Access



# Pedestrian Mall Case Study: Boulder, CO (Cont.)

## Testimonials

“Our business is up 12 percent over last year...**we’re having one of our best years ever**. It’s the fact that you can come down here and it is something different and unique....other malls all look the same. But **everything about [Pearl Street] is incredibly unique.**”

- *Keith Hurdle, Hurdle’s Jewelry*

“It’s getting **busier**...it’s an **amazing place** for anyone to come and enjoy themselves.”

- *Avner Gilady, co-owner of Falafel King*

“The downtown mall, especially on a night when the weather is nice...I think it’s just a **world-class experience.**”

- *Richard Polk, Pedestrian Shops*

“**Children’s amenities bring business** to the pedestrian mall. Young and middle-aged mothers...bring their kids to play and then do some shopping while they are there. It is very much a destination for this demographic as well as for other residents from the surrounding neighborhoods.”

- *Eli Madrone, Downtown Boulder Business Improvement District*

“**We are excited to move into the space.** It’s been my dream to have a restaurant on Pearl Street Mall and that dream has come true for our family.”

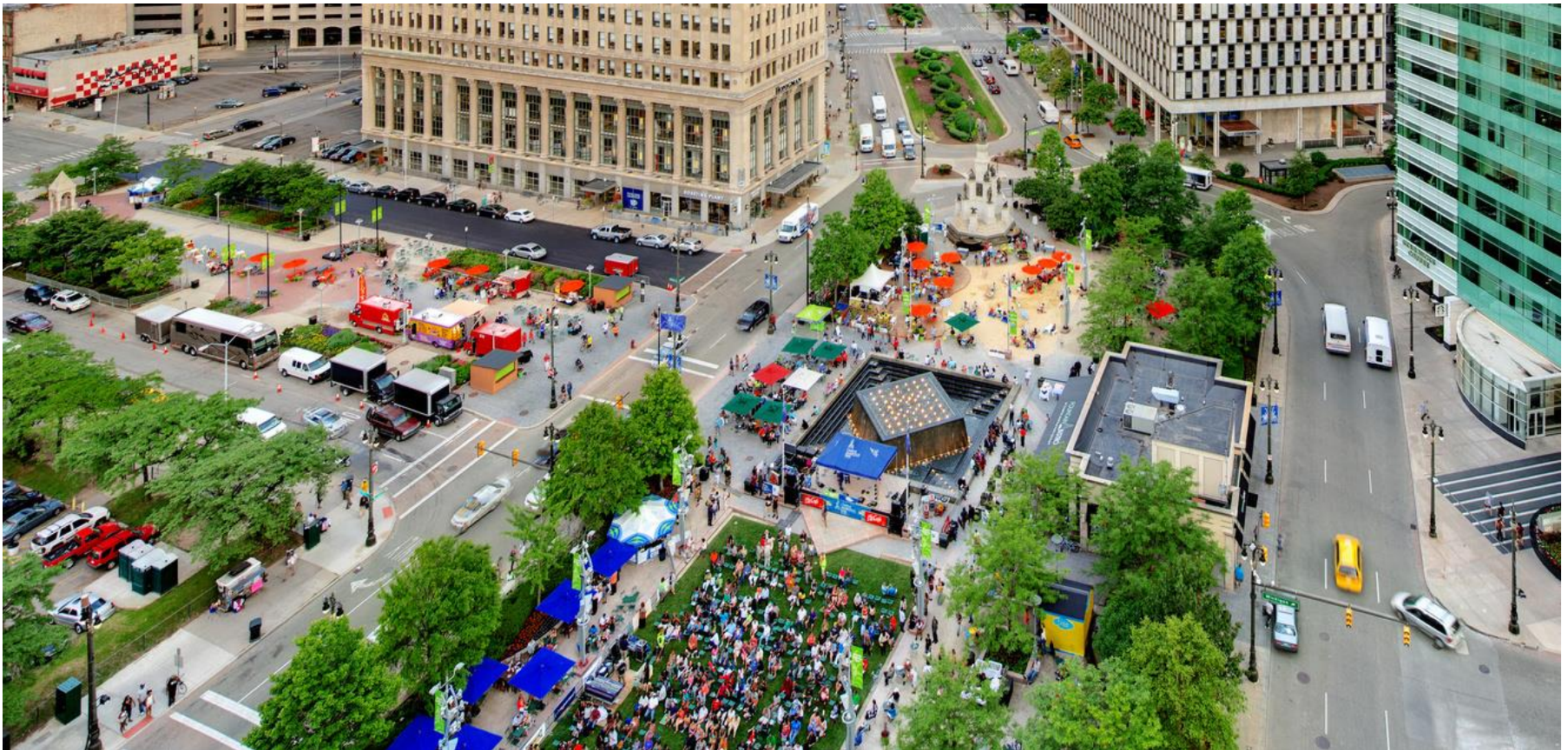
- *Bradford Heap, Pearl St. Restaurateur*

**Source:** <https://www.restreets.org/case-studies/pearl-street-pedestrian-mall>; <http://saltthebistro.com/75-years-in-boulder-story-of-the-snyders-and-1043-pearl-street/>



# Public Space Case Study: Detroit, MI

## Campus Martius Park in Detroit, Michigan





# Public Space Case Study: Detroit, MI (Cont.)

**Campus Martius Park has become Detroit's Gathering Place in the downtown area, bringing new vitality and activation to the area**

- Campus Martius Park is a hub of summer placemaking activity, hosting over 650 performances, movies, and events
- In 2013, an estimated 2 million people came to special events at Campus Martius Park and Cadillac Square
- Campus Martius Park helped catalyze an estimated \$1 billion of new residential and commercial development investment within the ½ mile area surrounding the park

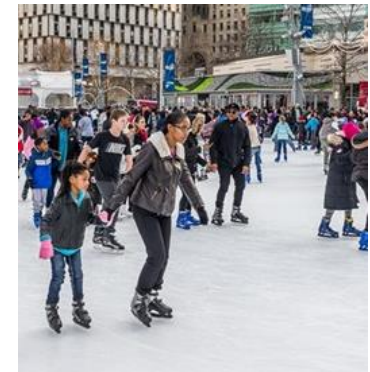


**Source:** [http://detroitsevenpointtwo.com/resources/7.2SQ\\_MI\\_Book\\_FINAL\\_LoRes.pdf](http://detroitsevenpointtwo.com/resources/7.2SQ_MI_Book_FINAL_LoRes.pdf)



# Public Space Case Study: Detroit, MI (Cont.)

- Campus Martius Park and Cadillac Square Park were historic centerpieces of downtown Detroit that were lost to roadways in the early 1900s. These parks were recently re-established and renovated, and now serve as the vibrant heart of downtown Detroit
  - **Amenities** include attractive landscaping and gardens, fountains, monuments, public art, biergarten, makerspace, food tents, performing art stages, seasonal attractions (skating rink, Christmas tree, urban beach)
  - **Destination** for restaurants, food trucks, music events, tourists, sports & activities
  - **Anchors** nearby include the financial district, federal courthouse, convention center



Source: <http://downtowndetroitparks.com/parks/Campus-Martius>



# Pedestrian Mall Examples

## Downtown Mall in Charlottesville, Virginia



Source: <https://www.visitcharlottesville.org/listing/charlottesville-historic-downtown-mall/337/>



# Pedestrian Mall Examples (Cont.)

## Essex Street Mall in Salem, Massachusetts



Source: <http://www.salem-chamber.org/salem-chamber-street-fairs>



# Other Ideas for State Street

- In Feb. 2019, Shopping Center Business Magazine held its annual Entertainment Experience Evolution conference. Key takeaways included:
  - Outdoor spaces are invisible anchor tenants
  - Create an experience that consumers can't get at home
  - Food is a major attraction
  - Marketing the center as a community gathering spot with many events
- In Atlanta, Newport US RE (a developer) acquired 8 blocks of historic buildings in the South Downtown area and created Pop-Up Row, a 4-month temporary summer storefront for local business, entrepreneurs, and artists, that will be funded by the developer, in exchange for participating in special events



**Top:** Zaytoon offers an upscale outdoor dining experience in Santa Barbara;

**Middle:** Mitchell St. in Atlanta is the location of Pop-Up Row

**Bottom:** Artist rendering of Pop-Up Row

# AUD Housing Strategy

- In order to address a significant workforce housing shortage, the City adopted the Average Unit Size Density Incentive Program (“AUD Program”) in 2013. This program incentivized new apartment units by allowing higher densities and lower parking ratios in certain zones
  - Medium High Density of 15-27 Units per acre
  - High Density of 28-36 units per acre
  - Priority Housing Overlay with 37-63 units per acre
  - State Street falls under Medium High Density, with an area several blocks to the west being designated as Priority Overlay
- As part of an effort to require inclusionary housing units, the City commissioned a study by Keyser Marston Associates that determined new housing development along State Street as financially infeasible due to very high land costs
- The Program is set to expire on July 30, 2021, or when 250 units have been completed within the high density/priority overlay areas. As of May 2019, there were 151 completed units, 96 units with building permits, 264 approved units, and 179 pending units (application not yet deemed complete)

## 4. Regulatory Tools and Policies

### *Summary of Major Recommendations*



# Administrative Recommendations

- Fundamentally review/revamp zoning and permitting process to be more flexible to accommodate market and changing retailer and customer dynamics
- Identify beneficial retail categories and streamline permit process
- Provide easy permits for temporary Pop-Up users
- Facilitate infill housing or live/work space in back of vacant buildings along State Street
- Provide process to allow for live music/amplified sound after 10pm to attract customers in evenings
- Expand community outreach efforts to get broad feedback on land use issues
- Consider Specific Plan for zoning strategy/higher density on targeted sites



**Top:** Le Fashion Truck, a pop-up style store in Los Angeles; **Bottom:** Live music performed in the Funk Zone, Santa Barbara

# Administrative Recommendations (Cont.)

- Facilitate outdoor dining permits – yields major increase in restaurant sales
- Prioritize Economic Development within the City and work with other Downtown organizations to clarify their roles
- Facilitate development of new workforce housing, including micro units, between Chapala St. and Anacapa St. and utilize surplus parking spaces in City parking structures to meet onsite requirement and reduce development costs
- Encourage more creative office uses along State Street (e.g. Impact Hub, The Sandbox, and Co-work zones) – encourage artistic designs or window displays to avoid dead zones with hundred feet of frosted glass
- Encourage UCSB to open satellite campus downtown
- Subsidize waterfront trolley to be zero cost on State Street
- Establish Adaptive Reuse Zone with relaxed building permit rules
- Incentivize residential, office, and hotel reuse of vacant commercial buildings

# Downtown Task Force

- Independent of Kosmont's analysis, the Downtown Economic Vitality Task Force has recently submitted their recommendations related to City permit and building inspection procedures
- Kosmont has reviewed the report, found the problems that were addressed to be consistent with our research, and generally concur with the Task Force recommendations

# 5. Economic Development

## *Economic Development Functions & Budgeting*

# Overview of Econ. Dev.

- Following the elimination of the City's Redevelopment Agency in 2012-13, the City of Santa Barbara has relied on local business organizations to provide downtown marketing and economic development services. Visit Santa Barbara, Downtown Santa Barbara and Chamber of Commerce each provide services for marketing the City and investing in State Street. The State Street corridor has seen a significant decline in retail activity during the past several years, resulting in the City's decision to hire Kosmont Companies to review market conditions and City policies and procedures
- Kosmont believes that Economic Development ("ED") is an important function for most cities and it typically requires a full time City government managerial position. The real estate development/entitlement process in California is extremely time consuming and expensive for the private sector, and anything that can be done to enhance transparency and communication between the City staff and development community will be beneficial to downtown, neighborhoods and yield economic benefits
- The City should hire an Asst. City Manager with broad experience to oversee ED function, or hire an ED Manager position

# Kosmont's Rx for Successful Econ. Dev.

1. An ED Professional who strives for a certain level of economic synergy that will create customer interest and vitality for the business district. Defining economic goals and objectives are the keys to a successful economic strategy. The ED Professional should be the lead and chief negotiator on any significant development proposal
2. The City Manager could have a Development Services Director who is equally committed to the same economic development message and plan. That Director must keep staff on target and set the pace for the employees to follow. They must evaluate the departments' progress on a regular basis to ensure compliance with the City's direction
3. The Economic Development division should be the initial contact for new commercial or housing proposals. It should prepare an initial project evaluation for the City Manager for policy direction
4. Planning and Building Services divisions should be in a support role for the Econ Dev division and be responsible for over the counter building permit work, building code and inspections, interpretation, and implementation



# Kosmont's Rx for Successful Econ. Dev. (Cont.)

5. The ED division could have a well-trained project manager (Ombudsman) who is responsible for tracking and following through on economic project proposals from the beginning to the end of the assignment
6. The division could also provide Special Events coordination to help various non-profit and other organizations get permits for qualified special events that will help draw more residents to downtown
7. ED workshops between developers/property owners, the City Council, the Econ Dev director, staff and the public, will provide direction, giving owners a chance to make adjustments to projects early in the development process



Above: Special event at Carr Winery's Barrel Room in Santa Barbara

# Econ. Dev. in Similar Sized Cities

- Kosmont has done research into how cities of similar size and historic significance have structured Economic Development (“ED”) functions
- We interviewed ED managers from Pasadena, San Jose, San Luis Obispo, Livermore, Ventura and Whittier (population ranging from 50,000 to 135,000). All Managers saw their job as business retention/recruitment and expediting development permit process, plus attending ICSC and CALED conferences and providing market information to companies in site selection
- Pasadena had the most extensive department with six professional and support staff. Ventura has an ED Manager and a Management Analyst. The other cities had just one staff person with various titles, an ED Manager, Deputy City Manager or Econ Dev Director, who reported to the City Manager. No other support staff was designated – although they all indicated that staff from Community Development assisted them as needed

# Econ. Dev. in Similar Sized Cities (Cont.)

- In observing other ED departments in cities of similar size, Kosmont estimates the annual budget could range from \$300,000 to \$1,000,000
- With respect to the question of how Santa Barbara could fund an Economic Development division, Kosmont offers some suggestions:
  1. Allocate annual funds from Measure C
  2. Charge fees for expedited permit process
  3. Downtown parking revenue
  4. Reduce City subsidies of various marketing budgets with private organizations
  5. Contributions from downtown BID
  6. Combination of the above

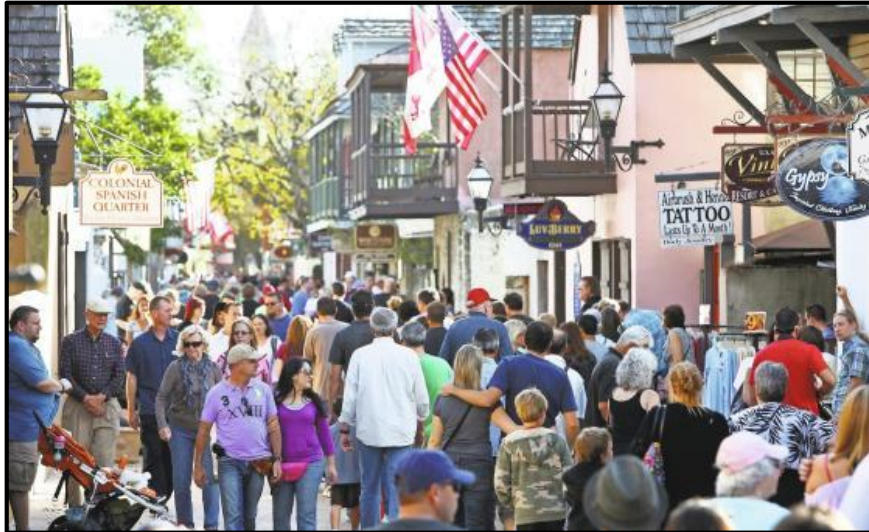
## 6. Other Recommendations

*Infrastructure / Transportation /  
Parking for State Street Corridor*

# Infrastructure Investment



- Provide free waterfront shuttle service on State Street
- Increase special events – facilitate/standardize permit process
- Improve image with public infrastructure improvements
- Consider creation of pedestrian mall for 2-3 blocks on State Street (requiring closure of portion of State Street to vehicular traffic)
- While there have been several successful examples, poor planning and implementation have seen failures



**Top:** Example of waterfront shuttle service in Seattle, WA; **Above:** The St. George St. pedestrian mall in St. Augustine, FL



# Parking and Business Improvement Area (PBIA)

- The PBIA was established in 1970's to provide low cost parking for lower State Street businesses. The City has built 12 parking structures along Anacapa St. and Chapala St. with over 2,500 spaces
- The fees collected allow City to offer first 75 minutes are free and low daily rates
- Most parking structures are underutilized. By leasing spaces to new housing residents, City can reduce cost of Downtown housing



Right: Map of parking lots in Downtown Santa Barbara along State St.



## 6. Other Recommendations

### *Marketing Ideas for State Street Corridor*

# Marketing / Outreach

- Educate residents, City Council, and jurisdictional bodies on importance of State Street's economic health to generate revenue for critical public services – 5 years of declining sales is trending toward a snowball effect creating blight throughout the entire State Street corridor
- Educate landlords/businesses and City on experiential, destination, and omnichannel retail trends so City can resolve “anti-business” reputation and image through marketing/branding and implementation
- Increase local SB resident patronage through special events and promotions
- Consider concept of monthly or more frequent community events in Downtown (Consider using De la Guerra Plaza to host arts and music events)
- Need to create more experiences for shoppers (e.g. “Pop Ups”, entertainment, breweries, etc.)
- Allow more rooftop terraces



**Top:** Event at De La Guerra Plaza; **Above:** Tesla Motors pop-up store in Santa Barbara, May 2015

# Marketing / Outreach (Cont.)

- Work with landlords on market realities and more aggressive leasing campaigns, explain availability of City permits for up to 10 sidewalk sales per year
- Use CASP funds to educate property owners on ADA requirements
- Merchants could create “special sales” to attract local residents
- Establish tie-ins with hotels, wineries and Downtown merchants
- Downtown Santa Barbara educate use of social media in collaboration with businesses and stakeholders to increase day and evening pedestrian activity along State Street
- Retailer use of chat/social media marketing, in addition to traditional websites, to increase sales



# Role for Downtown Santa Barbara Organization

- Work with MTD to improve service for Downtown employees evening commutes
- Set up temporary pedestrian mall for 3-6 month trial
  - Provide special venues (children's playground, dog parks, concerts)
  - Utilize Pods or other containers for temporary art displays
- Help tenants facilitate outdoor dining permits
- Increase local SB resident patronage through special events and promotions
- Encourage cruise ship passenger visits through discounts, free gifts, etc.
- Increase cruise ship passenger visits/excursions in Downtown

# Thank you



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